REPORT

OF THE

SUPERINTENDENT OF PENSIONS

ON THE

ADMINISTRATION OF THE PENSION BENEFITS ACT

COVERING THE PERIOD

APRIL 1, 1984 TO MARCH 31, 1986

Nova Scotia

Department of Finance

Pension Benefits Division

PO Box 187
Halifax, Nova Scotia
B3J 2N3

902 424-8915

File No. _____

The Honourable Greg Kerr
Minister of Finance
Province of Nova Scotia
Halifax, Nova Scotia

Dear Sir:

Pursuant to the requirements of Section 10 of the Pension Benefits Act, I have the honour to submit herewith the Annual Report of the Pension Benefits Division for the fiscal years ended March 31, 1985 and March 31, 1986.

Respectfully submitted,

Percy Fleet
Superintendent of Pensions

NINTH ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 1986

INTRODUCTION

In accordance with Section 10 of the Pension Benefits Act, the Superintendent of Pensions is required to report annually to the Minister of Finance on the affairs of his office covering the transactions and operations of the immediately preceding fiscal year. This Report covers the affairs and transactions of two fiscal years, 1984-85 and 1985-86.

PRINCIPAL DUTIES AND RESPONSIBILITIES

The Pension Benefits Division is responsible for the administration and enforcement of the Pension Benefits Act. The principal purposes of the Act are to ensure, (1) that the pension plans will be funded on a regular basis; (2) that the funds will be invested in securities and obligations that satisfy the prescribed quality tests; (3) that members who have completed the specified age and service qualifications receive deferred pension benefits upon termination of employment or upon plan termination; and (4) that members of pension plans be kept informed of the terms and conditions of the plan.

The Division accomplishes the purposes through the following activities:

- Registration of all pension plans established for employees in Nova Scotia.
- Rejection of any pension plan that does not qualify for registration.
- Supervision of all registered pension plans to ensure continuing compliance with the Act and Regulations.
- Administration and enforcement of the terms and provisions of the Act and Regulations.
- Cancellation of Certificates of Registration in respect of those pension plans that fail to comply with the Act and Regulations.
- Promotion of the establishment, extension and improvement of pension plans throughout Nova Scotia.

ADDITIONAL DUTIES AND RESPONSIBILITIES REQUIRED BY THE ACT

In addition to the main function, the Division has additional responsibilities:

- Agreements with the Government of Canada and other provinces having similar legislation provide for the reciprocal registration, audit and inspection of pension plans.

- Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members.

- This requires the Division to carry out the duties and responsibilities of the other authorities in respect of the pension plans which it supervises in accordance with the agreements.

- As at January 1, 1985, 1,063 pension plans subject to the Pension Benefits Act of Nova Scotia were supervised by other provincial and federal authorities on behalf of our Division. The number of Nova Scotia plan members covered by these plans totalled 32,056.

MEETING WITH SIMILAR AUTHORITIES

Legislation similar to the Pension Benefits Act of Nova Scotia has been enacted by the following governments:

CANADA	-	Pension Benefits Standards Act, 1987, effective October 1, 1967. Revised effective January 1, 1987.
ONTARIO	-	The Pension Benefits Act, 1965, effective January 1, 1965.
SASKATCHEWAN	-	The Pension Benefits Act, 1967, effective January 1, 1969.
QUEBEC	-	Supplemental Pensions Plan Act, effective January 1, 1966.

MEETING WITH SIMILAR AUTHORITIES, Cont'd.

MANITOBA	-	The Pension Benefits Act, effective July 1, 1976.
ALBERTA	-	The Pension Benefits Act, effective January 1, 1967.
NEWFOUNDLAND	-	The Pension Benefits Act, effective January 1, 1985.

The representatives of these authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas.

Two specific groups are involved in these meetings:

- Representatives of the various authorities are members of The Canadian Association of Pension Supervisory Authorities (CAPSA).

  The main purposes of the Association are:

  (1) To evaluate on a continuing basis the legislation in force and to recommend amendments;

  (2) To promote uniformity in legislation, its interpretation and administration;

  (3) To create a group identity, thereby furthering communications with other groups having an interest in pension plans;

  (4) To allow members improved co-ordination in their research programs, particularly with a view to avoiding duplication;

  (5) To establish and maintain relations with other organizations working towards similar objectives.

- A sub-committee of CAPSA, the Standing Committee of Superintendents, also meets on a continuing basis to discuss and review ongoing changes in the pension field, ways of dealing with problem areas and to carry out studies and assignments on behalf of the Association.

MEETING WITH SIMILAR AUTHORITIES, Cont'd.

Representatives of other jurisdictions that are considering the possibility of pension regulatory legislation attend meetings of CAPSA from time to time, by open invitation. Jurisdictions that have availed themselves of the invitation are British Columbia, New Brunswick and Prince Edward Island.

REGULATION OF PENSION PLANS

As outlined in Table I, the Pension Benefits Division received 135 applications for registration during the period April 1, 1984 to March 31, 1986. A total of 114 Certificates of Registration were issued. This compares to 113 Certificates issued in the fiscal year ending March 31, 1984.

Table II shows that during the period under review, 42 pension plans were terminated and 3 were transferred to another jurisdiction. As of March 31, 1986, the Division was responsible for the supervision of 744 pension plans.

In accordance with Section 15 (4) of the Pension Benefits Act, every employer with a registered pension plan in Nova Scotia is required to file an annual information return outlining the contributions made to the pension plan and changes in plan membership.

Based on the returns filed, we calculate the employee and employer contributions to pension plans under our supervision for the fiscal year 1985-86 as follows:

Employee Required Contributions	$ 37,760,000
Employee Voluntary Contributions	911,000
Total Employee Contributions	38,671,000
Employer Current Service Contributions	51,088,000
Total Contributions under Supervision	$89,759,000

In addition to the above noted contributions, some employers are required to make annual payments to their pension plans to cover the costs of experience deficiencies and initial unfunded liabilities.

Contribution and membership data from these returns were compiled and forwarded to Statistics Canada for inclusion in their annual report on pension plans in Canada.

REGULATION OF PENSION PLANS, Cont'd.

As in previous years, the Division received many enquiries relating to pension plans from members including the public and pension plan administrators. The most frequent enquiry related to non-receipt of refunds from pension plans on termination of employment. Enquiries from plan administrators and pension consultants usually related to the vesting and locking-in requirements of the Pension Benefits Act. As might be expected, many enquiries from both plan members and administrators pertained to the proposed pension reform legislation proposed in Bill 122 which was introduced in the Nova Scotia House of Assembly on May 14, 1986.

JURISDICTION OF PLAN MEMBERSHIP

Table III shows the number of Nova Scotia members covered by pension plans supervised by other jurisdictions. Some 1,060 pension plans covering approximately 32,000 Nova Scotia members were supervised by other provincial and federal authorities on behalf of our Division.

TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type. Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings. To date, the most common type of plan is a defined benefit plan which contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure the funding of the benefits.

Table IV has been added to this report to show the number of members in each type of plan. We will continue to monitor these types of plans to determine if there are any significant trends or change in the various types of pension plans.

OPERATING COSTS AND REVENUE

Operating costs of the Division for the fiscal year 1984-85 amounted to $62,445; 1985-86 amounted to $32,708.

Revenue, derived from fees charged in respect of applications for registration and annual Information Returns, amounted to $24,671 for the fiscal year 1984-85 and $23,966 for fiscal 1985-86..

APPENDIX

MAIN PROVISIONS OF THE ACT IN GENERAL TERMS

The Pension Benefits Act (Statutes of Nova Scotia 1975, Chapter 14) was enacted on January 1, 1977. In general terms, the main provisions of the Act are as follows:

(1) Funding

Each year the employer is required to pay into the pension fund sufficient monies to cover the cost of the benefits earned in that year. In addition, where an actuarial liability exists due to the granting of benefits for prior service or experience different from that assumed by the actuary, annual special payments designed to liquidate the liability within a specified number of years, must be paid into the pension fund.

(2) Investments

The funds of a pension plan may be invested and loaned only in investments and loans in which an insurance company governed by the Canadian and British Insurance Companies Act (Canada) may invest or lend its funds under Subsection (1), (2), (5), (6) and (10) of Section 63 of the Act.

(3) Explanation to Employees

The employer is required to provide each member of the pension plan with a written explanation of the terms and conditions of the plan and amendments thereto. This gives each member the opportunity to know his rights and duties under the Plan.

(4) Vesting and Locking-in

A member of a pension plan who, upon ceasing to be employed by an employer, has attained age 45 and has either completed 10 years of continuous service with the employer, or been a member of the plan for such period, whichever occurs first, is entitled to the pension benefits earned under the plan in respect of service since January 1, 1977.

These pension benefits are payable only as a life annuity commencing at normal retirement age.

Neither the value of the life annuity nor any contributions the employee was required to pay towards the cost of this are available in cash. In addition, this entitlement cannot be assigned, surrendered, alienated, seized or attached.

TABLE I

SUMMARY OF PENSION PLANS APPROVED, TRANSFERRED, TERMINATED TO MARCH 31, 1986

	Total as of March 31/84	Additions (Deletions)	Total as of March 31/85	Additions (Deletions)	Total as of March 31/86
Filed Plans	831	69	900	66	966
Applications Withdrawn	(7)	(3)	(10)	--	(10)
Plans Terminated	(133)	(26)	(159)	(16)	(175)
Plans Transferred to Other Jurisdictions	(12)	(3)	(15)	--	(15)
Active Plans on File	679	37	716	50	766
Deduct: Plans in Process of Registration	(34)	30	(4)	(18)	(22)
Registered Plans	645	67	712	32	744

TABLE II

TERMINATED PENSION PLANS

Reason	1984/85	1985/86	Total
Not Given	10	11	
No Members left in Plans	12	1	
Company Dissolved	2	3	
Replaced by New Plan	2	1	
Number of Plans Terminated	26	16	42

TABLE III

NUMBER OF PENSION PLANS IN CANADA WITH NOVA SCOTIA MEMBERS (BY JURISDICTION) - JANUARY 1/85

(Source - Statistics Canada)

	Number of Plans	Number of Nova Scotia Members Covered
Nova Scotia	685	45,325
New Brunswick	20	132
Quebec *	164	1,696
Ontario	715	13,570
Manitoba	13	90
Saskatchewan	2	7
Alberta	42	1,431
Federal *	107	15,130
Non-legislated	5	61,951
TOTAL	1,750	139,252
PLANS REGISTERED IN OTHER JURISDICTIONS	1,063	32,056

* Table does not add to total as 3 plans have dual (Quebec-Federal) jurisdiction.

TABLE IV

PENSION PLANS IN CANADA
PENSION PLANS HAVING NOVA SCOTIA MEMBERS

FUNDING INSTRUMENT OF PENSION PLANS
BY TYPE OF PLAN SHOWING TOTAL MEMBERS

Type of Plan	Total	
	Plans Number	Members Number
Defined Contribution Plans:		
Money Purchase	582	8,973
Profit Sharing	22	244
Sub-total	604	9,217
Defined Benefit Plans:		
Final Earnings *	518	90,774
Career Average Earnings	516	24,846
Flat Benefit	72	12,439
Sub-total	1,106	128,059
Composite and Other Plans	40	1,976
TOTAL	1,750	139,252

* Includes Final Average Earnings and Average Best Earnings Plans.